

dations. Apparently, the matter was to be settled without any further reference to the Navy, even though the Navy was the Government agency most knowledgeable of the circumstances.

The Defense Contract Audit Agency finally agreed to provide a copy of the Defense Auditor's recommendation to both the contractor and the Navy, but insisted that any comments be submitted within 10 days. Although the Defense Auditor, after a 9-month study, was reversing the Government's position arrived at 6 years earlier and reaffirmed 2 years ago, the Navy was given but 10 days to review the case and provide its comments.

This case is a good example that, no matter what the circumstances, if a contractor persists long enough, he usually wins his case. The Government is simply not organized and staffed adequately to take care of the Government's interests. I cannot stop my work for 10 days to give this complex matter the attention it needs; neither can I spare the time of people on my staff. So, we will do the best we can.

There is no question in my mind that the Government will ultimately have to pay the \$4 million. All of the efforts by the Navy and the GAO will have gone for naught. Can you blame civil servants for having an apathetic attitude?

Mr. BARRETT. Admiral, the case you have just mentioned is very disturbing. I am amazed that the Department of Defense is not forcefully acting to protect the Government. Have you any more such experiences?

CONTRACTOR CLAIMS UNDER SHIPBUILDING CONTRACTS

Admiral RICKOVER. Yes, sir. I will give you another example.

Because Navy ships are complex and require a long time to build, the Government often has to make a large number of changes during the life of the contract. Although most Government people try hard to keep these changes to a minimum, many times changes are required to take advantage of operating experience or new developments. Some changes are of an urgent nature and have to be authorized before the work can be priced to prevent a contractor from proceeding with unnecessary work in areas affected by the change.

Once a large unpriced change is issued, the door is open. These changes are often very complex, requiring a lengthy period to prepare the necessary estimates and negotiate the price. Frequently, a large backlog of these unpriced changes develops, and is usually still pending at the time the contract is completed. At that time, the shipbuilder can combine these changes with whatever other claims he can develop, valid or not, and submit a large claim against the Government.

In these circumstances it is usually not possible to determine the cost of individual changes for which the Government is responsible. The Government is forced to negotiate a lump settlement. It is here that the contractor has the Government at a great disadvantage. The contractors have large staffs which can be devoted to the preparation and pricing of these claims. The Government has but a few people to look after its contracts and these people normally have other responsibilities which occupy their time. The contractors can take advantage of this situation to screen specifications, delivery of Government-furnished material, and so forth—as necessary to support whatever price they feel they can obtain. Under these conditions, a shipbuilder can completely reprice his contracts. The Government often